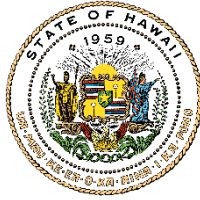
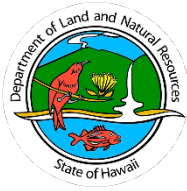


JOSH GREEN, M.D.
GOVERNOR | KE KIA'ĀINA

SYLVIA LUKE
LIEUTENANT GOVERNOR | KA HOPE KIA'ĀINA



STATE OF HAWAII | KA MOKU'ĀINA 'O HAWAI'I
DEPARTMENT OF LAND AND NATURAL RESOURCES
KA 'OIHANA KUMUWAIWAI 'ĀINA

P.O. BOX 621
HONOLULU, HAWAII 96809

DAWN N.S. CHANG
CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE
MANAGEMENT

RYAN KP KANAKAOLE
FIRST DEPUTY

DEAN D. UYENO
ACTING DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES
BOATING AND OCEAN RECREATION
BUREAU OF CONVEYANCES
COMMISSION ON WATER RESOURCE
MANAGEMENT
CONSERVATION AND COASTAL LANDS
CONSERVATION AND RESOURCES
ENFORCEMENT
ENGINEERING
FORESTRY AND WILDLIFE
HISTORIC PRESERVATION
KAHOOLAWE ISLAND RESERVE COMMISSION
LAND
STATE PARKS

Testimony of
DAWN N. S. CHANG
Chairperson

Before the House Committee on
WATER & LAND

Tuesday, January 30, 2024
9:00 AM

State Capitol, Conference Room 430 and Via Videoconference

In consideration of
HOUSE BILL 1592
RELATING TO THE LAND CONSERVATION FUND

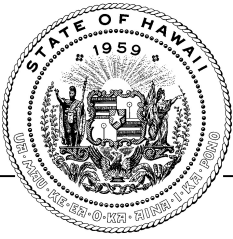
House Bill 1592 proposes to strengthen the buying power of the Legacy Land Conservation Program by increasing, from \$5.1 million to \$10 million, the maximum amount of annual conveyance tax revenue deposited into the Land Conservation Fund. **The Department of Land and Natural Resources (Department) strongly supports this measure provided that its passage does not replace or adversely impact higher department priorities indicated in the Executive Fiscal Year (FY) 2025 Supplemental Budget request and offers an amendment that would further enhance the State's ability to help protect resources and preserve lands for conservation purposes.**

The Department of Taxation reports that FY 2023 conveyance tax revenue totaled \$92.1 million (down from \$188.4 million in FY 2022). Using the most recent growth rate projected by the Council on Revenues (January 8, 2024), FY 2024 conveyance tax revenue would total nearly \$110 million. If the Land Conservation Fund could receive \$10 million in FY 2024 under the revenue cap proposed by this measure, then the cash balance of the Land Conservation Fund would receive an immediate, sorely needed \$4.9 million boost. Also, the portion of FY 2024 revenue that could be used for FY 2025 management grants (capped at five percent of the previous year's revenue) would be \$500,000 rather than \$255,000.

Therefore, the Department requests that the Committee on Water & Land consider amending SECTION 4 at page 3, line 3, of this measure to read as follows:

SECTION 4. This Act shall take effect [~~on July 1,~~
2024] upon its approval.

Mahalo for the opportunity to testify in strong support of this measure.



**STATE OF HAWAII
OFFICE OF PLANNING
& SUSTAINABLE DEVELOPMENT**

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

MARY ALICE EVANS
INTERIM DIRECTOR

235 South Beretania Street, 6th Floor, Honolulu, Hawaii'i 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii'i 96804

Telephone: (808) 587-2846
Fax: (808) 587-2824
Web: <https://planning.hawaii.gov/>

Statement of
MARY ALICE EVANS, Interim Director

before the
HOUSE COMMITTEE ON WATER & LAND

Tuesday, January 30, 2024

9:00 AM

State Capitol, Conference Room 430

in consideration of
BILL NO HB1592
RELATING TO THE LAND CONSERVATION FUND.

Chair Ichiyama, Vice Chair Poepoe, and Members of the House Committee on Water and Land:

The Office of Planning and Sustainable Development (OPSD) **supports** HB1592, which increases the maximum amount of conveyance tax revenues allocated to the land conservation fund.

Current statutes allocate to the land conservation fund ten percent of the conveyance tax collected, or \$5,100,000, whichever is less. Both conservation costs and revenues collected have risen substantially since this cap was established many years ago. In order to provide adequate funding for the land conservation fund's critical mission, this bill would raise the cap to \$10,000,000. This is an appropriate response to the escalating costs of land preservation and revenues from the conveyance tax funds collected.

Thank you for the opportunity to testify on this measure.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: CONVEYANCE TAX; Increase Earmark to Land Conservation Fund

BILL NUMBER: HB 1592

INTRODUCED BY: POEPOE, AIU, AMATO, CHUN, GARRETT, HOLT, KAPELA, KILA, LAMOSAO, LOWEN, MARTEN, MATAYOSHI, MORIKAWA, PERRUSO, QUINLAN, TAKENOUCHI

EXECUTIVE SUMMARY: Increases the maximum amount of conveyance tax revenues allocated to the land conservation fund.

SYNOPSIS: Amends section 247-7(1), HRS, by increasing the cap on the earmark on the conveyance tax from \$5.1 million to \$10.0 million.

EFFECTIVE DATE: July 1, 2024.

STAFF COMMENTS: The conveyance tax was enacted by the 1966 legislature after the repeal of the federal law requiring stamps for transfers of real property. It was enacted for the sole purpose of providing the department of taxation (which at the time also administered the real property tax) with additional data for the determination of market value of properties transferred. This information was also to assist the department in establishing real property assessed values and at that time the department stated that the conveyance tax was not intended to be a revenue raising device.

Prior to 1993, the conveyance tax was imposed at the rate of 5 cents per \$100 of actual and full consideration paid for a transfer of property. At the time all revenues from the tax went to the general fund. The legislature by Act 195, SLH 1993, increased the conveyance tax to 10 cents per \$100 and earmarked 25% of the tax to the rental housing trust fund and another 25% to the natural area reserve fund. As a result of legislation in 2005 and in 2009, the conveyance tax rates were substantially increased and bifurcated between nonowner-occupied residential properties and all other properties. Tax brackets were based on the amount of the value transferred. Until 2005, 50% of the receipts went into the general fund and the other half was split with the affordable rental housing program and the natural area reserve program. Beginning in 2005, another 10% was taken for the land conservation fund.

Act 84, SLH 2015, imposed a \$6.8 million cap on the earmark. In 2015, the Conference Committee explained the rationale for the cap on the earmark as follows:

Your Committee on Conference finds that budgetary planning and transparency are key components to ensuring the ongoing fiscal health of the State. Your Committee on Conference believes that, by establishing maximum amounts to be distributed to various non-general funds from the conveyance tax, this measure will make forecasts of general fund revenues more reliable, will increase legislative oversight of agencies and programs

supported by the non-general funds, and will subject those agencies and programs to competition for limited public funds if the agencies or programs want more than the amount automatically distributed to their non-general funds.

Conf. Comm. Rep. No. 156 (2015).

The cap was reduced to \$5.1 million in the budget bill of 2020, Act 9, SLH 2020. This is the amount that is proposed to be raised to \$10 million by this bill.

Raising or removing the cap on the earmarked revenues should be done only with great caution. As with any earmarking of revenues, the legislature will be preapproving each of the programs fed by the fund into which the tax monies are diverted, expenses from the funds largely avoid legislative scrutiny, and the effectiveness of the programs funded becomes harder to ascertain. It is also difficult to determine whether the fund has too little or too much revenue.

If the legislature deems the programs and purposes funded by this fund to be a high priority, then it should maintain the accountability for these funds by appropriating the funds as it does with other programs. Earmarking revenues merely absolves elected officials from setting priorities. If the money were appropriated, lawmakers could then evaluate the real or actual needs of each program.

Digested: 1/26/2024

January 30, 2024

The Honorable Linda Ichiyama, Chair

House Committee on Water & Land
State Capitol, Conference Room 430 & Videoconference

RE: House Bill 1592, Relating to the Land Conservation Fund

HEARING: Tuesday, January 30, 2024, at 9:00 a.m.

Aloha Chair Ichiyama, Vice Chair Poepoe, and Members of the Committee:

My name is Lyndsey Garcia, Director of Advocacy, testifying on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawai'i and its over 11,000 members. HAR provides **comments** expressing concerns on House Bill 1592, which increases the maximum amount of conveyance tax revenues allocated to the land conservation fund.

The Conveyance Tax applies not only to residential property such as single-family homes and condominiums, but to the conveyance of multi-family rentals, land for residential subdivisions, mixed-income and multi-use properties, commercial properties, resort properties, and agricultural lands. It was originally created to fund the Bureau of Conveyances, but has increased over the years and evolved into a revenue source for the Land Conservation Fund, Rental Housing Revolving Fund, and general fund. Increasing the cap for either special fund leads to a decline in revenue for the general fund.

Hawaii's real estate market has slowed due to rising interest rates to address inflation, resulting in a 27.22% decrease in single-family home sales and 29.15% decrease in condominium sales year-to-date as of December 2023.¹ The challenge with linking funding to the Conveyance Tax is that when the real estate market is down, there may not be enough funds to pay for the programs it supports. The Conveyance Tax is then often targeted for increase to cover these programs; however, when the market is up, there are excess funds over and above the programs' needs. This becomes a cyclical issue, and the Conveyance Tax is never lowered even in an up market, thereby contributing to the ever-increasing cost of housing in our state.

While the Land Conservation Fund is valuable, a more reliable funding alternative is for the Land Conservation Fund to seek appropriations through the regular budgetary process.

Mahalo for the opportunity to provide comments on this measure.

¹ Hawai'i REALTORS®. (2023). *Statewide Real Estate Statistics*. www.hawaiiirealtors.com/resources/housing-trends-2

HB-1592

Submitted on: 1/29/2024 8:52:26 AM

Testimony for WAL on 1/30/2024 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Ted Bohlen	Hawaii Reef and Ocean Coalition	Support	Written Testimony Only

Comments:

I support this bill to strengthen the buying power of the Legacy Land Conservation Program by raising the maximum amount of deposited annual conveyance tax revenue to \$10 million.

Ted Bohlen

HB-1592

Submitted on: 1/29/2024 8:11:27 AM

Testimony for WAL on 1/30/2024 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Beth Robinson	Hawaii Life	Support	Written Testimony Only

Comments:

Chair Ichiyama and Committee Members,

I am writing in strong support of House Bill 1592 increasing the cap on funding available to the Legacy Land Conservation Program to \$10 million annually.

I have served as statewide Director of Conservation and Legacy Lands for Hawai'i Life Real Estate for six years, and been active in assisting conservation transactions for almost 15 years. Each year there is heartbreak as worthy projects submitted to Legacy Land Conservation Program go unfunded due to the cap on annual funds availability, while the unspent balance grows. Frankly it seems embarassing that Hawai'i has created an entirely fitting mechanism, funded by regular real estate transactions, to protect its wahi pana, and then fails to allow the money to be spent for the purpose for which it was collected.

I sincerely hope this will be the year the legislature does the right thing and raises the cap on annual spending. The same amount of money will be collected regardless. This bill will allow more of it to serve its purpose.

Thank you for your consideration.

Beth Thoma Robinson R(B)

Director, Conservation and Legacy Lands

Hawaii Life

January 28, 2024

Testimony in Support of H.B. No. 1592
Relating Land Conservation Fund
by Luciano Minerbi
Emeritus Professor of Urban and Regional Planning, UH
submitted as an Individual and an expert in my field.
lucianominerbi@gmail.com

I am in support of H.B. No. 1592 to increase the maximum amount of conveyance tax revenues allocated to the Land Conservation Fund to better enable DLNR and the State of Hawaii to improve the several conservation purposes of this act by acquisition and management of land identified as important by Legacy Lands Conservation Program. Thank you very much.

HB-1592

Submitted on: 1/28/2024 6:08:29 PM

Testimony for WAL on 1/30/2024 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Kanoe Wilson	Individual	Support	Written Testimony Only

Comments:

RE: Testimony in Support of H.B. NO. 1592– Land Conservation Fund

Dear Chair Inchiyama and Members of the Water and Land Committee,

I am writing to express my strong support for H.B. NO. 1592, which aims to increase the funding for the Land Conservation Fund in the State of Hawaii. This bill is of great importance as it addresses the urgent need to protect our natural resources and preserve our beautiful landscapes for current and future generations.

The Land Conservation Fund plays a vital role in conserving land for watershed protection, coastal preservation, flood prevention, parks, habitat protection, cultural preservation, agricultural production, and open space and scenic resources. However, it is clear that the current funding levels are insufficient to meet these critical objectives.

By increasing the maximum amount of conveyance tax revenues to be paid into the Land Conservation Fund from \$5,100,000 to \$10,000,000, this bill will help ensure that Hawaii can continue to safeguard its unique natural heritage. It will enable the state to invest in high-value, long-term projects that protect Hawaii's natural capital and promote resilience, health, well-being, and economic opportunities for its residents.

Furthermore, adequate funding for the Land Conservation Fund is not only an investment in the environment but also in the overall quality of life for the people of Hawaii. Preserving open spaces and scenic resources not only benefits our physical health but also contributes to our cultural and spiritual well-being.

I urge the committee to support H.B. NO. 1592 and take action to secure a more sustainable and resilient future for Hawaii. This bill aligns with the best interests of the people of Hawaii and ensures that our state remains a place of natural beauty and ecological richness.

Thank you for your attention to this critical matter, and I strongly encourage you to vote in favor of this bill to strengthen the Land Conservation Fund.

Aloha ‘āina,

Kanoe Wilson

HB-1592

Submitted on: 1/29/2024 9:38:36 AM

Testimony for WAL on 1/30/2024 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Lynn Britton	Individual	Support	Written Testimony Only

Comments:

Aloha,

It is very important that funding be available for purchase of preserving lands deemed invaluable to our communities and to our sustainability for future generations.

Please support increased funding for the Land Conservation Fund.

Mahalo,

Lynn Britton

50 year resident, Maui

HB-1592

Submitted on: 1/29/2024 10:24:24 AM

Testimony for WAL on 1/30/2024 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Mark Hamamoto	Individual	Support	Written Testimony Only

Comments:

Dear Representatives,

I strongly support increasing the amount of funding for the Legacy Lands program. As the name says, this program is creating an invaluable legacy that will conserve and perpetuate Hawaii's extraordinary natural abundance. This is an extremely important stewardship program. Please support this bill.

Mahalo,

Mark Hamamoto

HB-1592

Submitted on: 1/29/2024 10:43:24 PM

Testimony for WAL on 1/30/2024 9:00:00 AM

Submitted By	Organization	Testifier Position	Testify
C. Kauai Lucas	Individual	Support	Written Testimony Only

Comments:

Chair Ichiyama, Vice Chair Poepoe, members of WAL

I have had the honor of being a volunteer Commissioner of the Legacy Land Conservation Program for 3 years. Unequivocally, public monies applied here directly support community stewardship of natural resources, reaping collateral benefits and leveraging positive impact. Please support this bill.

mahalo,

Kauai